

University of Wisconsin, Madison

IS 373 / AAE 373: GLOBALIZATION, DEVELOPMENT AND POVERTY

Fall Semester, 2019

Thomas F. Rutherford

Lectures

MWF 8:50AM - 9:40AM, Russell Laboratory 150

Office Hours

Wednesday (1:30-4 pm, Wisconsin Institute for Discovery 4243, 608-316-4362)

Thursday (9:30-11 am, Taylor Hall 323, 608-890-4576)

rutherford@aae.wisc.edu

Overview

What are the links between globalization, economic development, and poverty in low-income economies? How do these links operate, and how are they mediated or altered by global and national policies and institutions? We focus on 4 economic mechanisms of globalization: (i) trade, (ii) foreign direct investment, (iii) migration, and (iv) foreign aid. Our empirical emphasis is the past four decades. We begin with an introduction to contemporary perspectives on globalization in the age of political resentment. Subsequently will continue with an overview of the history of economic thought on globalization/development. Then, we set to work on the main objective of the course which is to explore how the economics of globalization work and how they shape growth, development, and poverty outcomes. Most of the first few weeks are spent introducing concepts and developing some basic models of trade and capital flows to help explain the heterogeneous effects of global economic interactions on developing economies. Most of the course centers on examining real-world evidence and historical processes of the effects of globalization on developing countries. In several sections of the course, we will summarize what we have learned with group presentations.

Learning Objectives

This is a three credit course appropriate for undergraduate students interested in learning about economic development, international institutions, the global trading system, and the factors which influence poverty in developing countries. The course provides an economic perspective on current political issues: multinational corporations, immigration policy, alternative perspectives on the appropriate role of bilateral and multilateral aid.

From a skills perspective, the course incorporates skills related to both numeracy and literacy. We will learn about how to locate and interpret economic datasets. We learn the language, graphical representation and spreadsheet skills for describing trade theoretic frameworks and interpreting data. We develop an appreciation for the role of models and evidence in the rhetoric of economic policy.

Instructional Mode: Face-to-face

As noted, the class meets MWF. Friday sessions are devoted to computing methods, Skype discussions with development practitioners and recitations. There will be no class on Friday, October 18, Friday, November 22 and Wednesday, November 27.

Assignments and Assessment

- Four reflections (short writing assignments) (15% total), September 20 (Stiglitz and Collier), October 4 (Rodrik), November 1 (UN and MDGs), November 15 (migration) *Attendance is required on these dates.*
- 2 papers (10% + 20% = 30% total) The first (8 pages) is due on October 18, and the second (12 pages) is due on December 13.
- 1 Group Presentation (5%) Each group will speak for 50 minutes, and we will run three sessions in parallel on December 2, 4, 6 and 9. *Attendance is required on these dates.* Individual papers based on the group presentations are due on Friday, December 13.
- Mid-term exam (20%), held in class on Monday, November 25
- Class Participation (10%). Attendance will be taken on September 20, October 4, November 1, 15, and December 2, 4, 6 and 9.
- Final exam (20%), 7:45-9:45 am on Thursday, December 19 – location to be announced.

The second paper will be coupled with your group presentation. While you will be required to work together to prepare the presentation, the written assignment will be done individually. Bottom line is that this written assignment can reflect the group's shared effort, but it needs to be in your own words and emphasize the thematic material you explored for the presentation. This written assignment is due a week prior to your group presentation.

Group presentations will last a class period including 5 to 10 minutes for discussion. A handout on the group presentations and written assignments develops this exercise in more detail. The presentations will be held on December 2-9.

The final day of class, December 11, will be a review session.

Texts and Teaching Resources

Class notes, assignments, readings, and other resources will be posted to the class site on the Canvas page on Learn@UW. A few readings will have direct web links from the syllabus. My goal is to place the PDF lecture notes on line by the evening before lecture to encourage participation by providing a clear summary of what material the class session will cover. Access to the site requires registration for the class and a valid UW NetID.

We will begin the course with some reading and writing. The readings will begin with selected chapters from a few recently published books dealing with globalization in an era of nationalist and populist resurgence. We will read chapters from Collier, Stiglitz and Rodrik as an introduction to the vocabulary and concepts of the course.

There will be two short writing assignments and one paper based on the introductory readings. McCloskey will provide guidance for writing papers in economics. After completing our big picture overview of issues, we will look at data, and this will begin with chapters from the Roslings' book.

Books you could share with someone in the class include:

- Paul Collier 2018, *The Future of Capitalism: Facing the New Anxieties*, Harper Collins – Kindle \$16, Hardcover \$20
- Joseph Stiglitz 2018, *Globalization and Its Discontents Revisited: Anti-Globalization in the Era of Trump*, Norton, (Required) – Kindle \$10, Hardcover \$11
- Rodrik, D. 2011, *The Globalization Paradox: Democracy and the Future of the World Economy*, Oxford University Press. – Kindle \$10, Hardcover \$12
- McCloskey, D., 2000. *Economical Writing*, Waveland Press, Inc. – Kindle \$9, Used paperback \$7

- Hans Rosling and Anna Rosling Rönnlund *Factfulness: Ten Reasons We're Wrong About the World—and Why Things Are Better Than You Think*, Flatiron Books – Kindle \$15, Hardcover \$15

Most required readings and excerpts will be provided on the course web page or will be accessible on the internet. Additional books which will be referenced in the lectures include:

- Goldin, I., and K. Reinert, 2006. *Globalization for Development: Trade, Finance, Aid, Migration, and Policy*. Palgrave MacMillan for the World Bank (selections)
- Easterly, W., *The Tyranny of Experts: Economists, Dictators, and the Forgotten Rights of the Poor*, Basic Books (selections)
- Material on doing economics with Excel will include materials from www.saylor.org/books including:
 - i. *Introduction to Economic Analysis*
 - ii. *International Trade: Theory and Policy*,
 - iii. *How to Use Microsoft Excel*
- Additional
 - i. World Development Indicators 2017 Highlights and overview section.
 - ii. The Millennium Development Goals
 - iii. How the Millennium Development Goals are Unfair to Africa by William Easterly, in *World Development* 37(1), 26–35, 2009
 - iv. United Nations's Millennium Development Goals did not Accelerate Progress (a US News summary of Howard Friedman's paper)
 - v. The UN Sustainable Development Goals
 - vi. MDGs to SDGs: Have We Lost the Plot? by Charles Keeny

Tentative Class Outline

I Introduction

1. Globalization, Development and Poverty
2. Globalization trends
3. Globalization, Poverty and the Millennium and Sustainable Development Goals (UN MDG/SDG web pages, Howard Friedman's assessment, William Easterly on poverty and the MDG, Using Microsoft Excel to understand data.)
4. Institutions, Trade and Globalization (Chapters 1, 2 in Rodrik)
5. Economic Growth (*New Palgrave Dictionary of Economics*, ed. Durlauf and Blume, 2008. Entries on "Economic growth" (by Howitt and Weil) and "Growth and international trade" (by J. Rauch); Elhanan Helpman, 2004. *The Mystery of Economic Growth*, Ch. 1 Background and Ch. 5 (Interdependence); Collier, Paul, 2007. *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It*)
6. The Case for Smart Globalization (Rodrik, Chapters 3 and 4; Williamson on the Washington consensus)
7. Evidence on impact of trade openness on growth and poverty (Dollar, Kleineberg and Kraay (2013), Dollar and Kraay (2001), Winters (2002))
8. The role of the World Bank

II Microeconomic foundations of trade

1. Partial equilibrium analysis

Introduction to economic analysis – supply and demand, quantification, analyzing government interventions in a partial equilibrium framework

Applied partial equilibrium analysis: cotton, coffee markets and poverty in Africa and South America

“Organization and Performance of Cotton Sectors in Africa”, The World Bank

“US and EU Cotton Production and Export Policies and their Impact on West and Central Africa”, Ethical Globalization Initiative

2. Endowments, prices and poverty

Introduction to economic analysis: applied consumer theory

Winters (2002)

3. Applied partial equilibrium analysis: global markets for sugar and poverty in South America

Introduction to economic analysis: trade, producer theory, general equilibrium

4. Microeconomics and trade: comparative advantage, gains from trade.

The Ricardian theory of comparative advantage, the pure exchange model

5. Applied general equilibrium models of trade

III Applications and Extensions

1. Labor-intensive exports (empirical)

Chapters 7, 8 in Rodrik

Martin et al on “Vietnam: Deepening Reforms for Export Growth”,

Rodrik, D. “What’s so special about China’s exports”

2. Dutch disease: theory and issues

Van der Ploeg, “Natural Resources: Curse or Blessing?”

Chile/Copper, Korinek, “Resource Trade in Chile...”

Nigeria/Oil, Sala-Martin, “Addressing the Natural Resource Curse”

3. Export booms and the “resource curse” (Coxhead, “A New Resource Curse”; Williams, “Cattle Boom”, Chapters 4-6)

4. Coffee Markets (Barham et al. 2011, Barham and Weber, 2012)

5. International factor flows and payments. (Rodrik, Ch. 5,6)

6. International capital flows: history, composition, and destination (Goldin and Reinert, Ch 4, French-Davis, “Capital Account Regulations in Chile & Colombia”)

7. Foreign Direct Investment (FDI) and development (Hanson, “Should Countries Promote FDI?”)

8. Labor and Migration: Growth in the global labor force & migration (Goldin and Reinert, Ch 6.)

9. Migrants, remittances and development: case studies (Clark et al., 2004, Hertel and Zhai 2004)

10. Aid and Development Assistance (Goldin and Reinert, Ch. 5, Siglitz, Ch. 9, “Aid and Dutch Disease in Low Income Countries,” Nkusu)

11. Perspectives on globalization and wrap-up (Rodrik, Ch 10-12)

Tentative Recitation Assignments – Details Subject to Change

Collier and Stiglitz – Due 5pm on September 19

- i. Read Chapter 1 of *The Future of Capitalism* by Paul Collier, (*The New Anxieties*) and the introductory chapter of *Globalization and Its Discontents Revisited* by Joseph Stiglitz.
- ii. The discussion section on Friday, will focus on the issues raised by these two authors. How do you feel that you and your family fit into these narratives? Do you agree with either or both authors? On what issues do they disagree?
- iii. Write around 200 words (less than one page) in which you are welcome to incorporate additional sources, and submit your reflection to the drop box on the course web page.
- iv. Class meeting on Friday will be in Taylor Hall. See your email for your assigned meeting room.

Rodrik – Due 5pm on October 3

- i. One of the most controversial discussions around globalization concerns the role that markets play in delivering opportunities for the poor. Building on the general concepts developed in Rodrik, Collier and Stiglitz (and other sources) in the first paper for the class you are asked to develop a “pro-markets” view or “con-markets” view of the relationship between markets and the well-being of the poor.
- ii. You should read a few chapters of *The Globalization Paradox* by Dani Rodrik before the second recitation which will take place on Friday, February 15.
- iii. Your abstract for the paper should be submitted to the dropbox by 5pm on Thursday, February 14. The recitation provides an opportunity for you to share your ideas about how you intend to approach the term paper which is due on Friday, March 1.

Sustainable development goals – due 5pm on October 31

- i. Write a one page reaction to the commentary you have read on effectiveness and usefulness of the UN Development Goals.
- ii. You may choose to substantiate your arguments using a chart based on the World Development Indicators. Be sure to label axes and provide a citation.
- iii. Feel free to reference sources other than those referenced in the lecture, provided they are focussed on related issues.
- iv. Submit your reflection in PDF format to the drop box on the course web page.

Migration – due 5pm on November 14

- i. What are your impressions and experiences with migration? Have you migrated in your life? What do you think are the most important implications of economic migration?
- ii. You may draw on our class discussion regarding Nepali migration or the posted readings about the circumstances of Chinese migrants to the United States, but feel free to do your own reading and offer you own impressions.
- iii. Please submit a two paragraph summary of your reading and reactions.